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SUBJECT: SENATOR BROWNBAC'S MEETING WITH PRESIDENT ALIYEV

Classified By: Ambassador Anne E. Derse per 1.4 (b,d).

¶1. (C) Summary: In a February 20 meeting with Senator Brownback, President Aliyev affirmed Azerbaijan's commitment to developing new Caspian gas reserves and export routes to Europe in spite of increasing pressure from Russia and Iran. He said that continued U.S. support would be key to these initiatives, as the EU lacks a unified energy policy and "wouldn't do this without the U.S." Brownback urged Aliyev to think strategically about a "grand bargain" with the U.S., increased cooperation on regional issues in exchange for possible U.S. assistance in areas of concern to Azerbaijan. Aliyev noted that the regional dynamic had shifted considerably since the late 1990s, with Azerbaijan playing a more important role for U.S. interests than Armenia; he also admitted that Azerbaijan needs to think of "new forms for delivering our message." Aliyev agreed that Azerbaijan's growing relationship with Jordan could be one possibility. Brownback encouraged Aliyev to improve Azerbaijan's business climate, including through the establishment of a Presidential Business Council and resolution of a long-standing privatization voucher case. End summary.

¶2. (SBU) President Aliyev had a warm and relaxed 60-minute meeting with Senator Sam Brownback (R-KS) and the Ambassador on February 20. Aliyev was accompanied by his Foreign Policy Advisor Novruz Mammadov; Brownback's Chief Counsel Sean Woo and Pol/Econ Chief (notetaker) also attended the meeting.

ENERGY

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¶3. (C) Noting that he had just returned from his first official visit to Hungary, President Aliyev said that he made "good progress" on energy with both the President and Prime Minister. Although Hungary previously had been "a little hesitant," he believes that Hungarian officials are now very interested in including Caspian gas in the Nabucco pipeline. Aliyev underscored that active U.S. engagement had been key to the success of the Baku-Tbilisi-Ceyhan (BTC) and South Caucasus (SCP) pipelines and would be essential to further expansion of the East-West energy corridor.

¶4. (C) Aliyev said that preserving Azerbaijan's independence, sovereignty and security was his top priority, a goal that has become more difficult in recent years as Azerbaijan's regional pressures have increased. Both Russia and Iran are "more isolated from international affairs, more self-confident and more ignorant" as a result of their new oil wealth and as evidenced by their respective energy and

nuclear weapons policies. Aliyev added that connections between Iran and Russia were stronger than ever before, making Azerbaijan's geopolitical position even more precarious. "We have no developed country on our borders, no democratic country in the full sense of that word," Aliyev said. Azerbaijan strives to protect its sovereignty and independence by maintaining good relations with all of its neighbors, "but not at the expense of our national interests."

¶15. (C) Aliyev affirmed that Azerbaijan is committed to developing new Caspian gas reserves and new gas export routes to Europe. Based on the success and revenues of the BTC and SCP pipelines, "we don't need additional energy initiatives," Aliyev said, "but we want to build a partnership with the U.S. and Europe." Both Azerbaijan and Europe would benefit from new Caspian gas export routes to Europe; Azerbaijan would benefit from a new role as a transit country and Europe would increase its energy security. Bulgaria, Hungary, Greece and Switzerland all are very positive on new gas deals, Aliyev said, but "the U.S. is playing the most important role. The EU wouldn't do this without the U.S." The EU, Aliyev continued, lacks a unified energy policy and its biggest members are satisfied with their relationships with Russia. Aliyev added that major EU countries "don't care about the impact of their policies on small countries" like Poland and Ukraine who are heavily dependent on Russia for energy.

¶16. (C) Aliyev pledged that Azerbaijan will continue working closely with the U.S. to pursue our shared energy goals, "in spite of attempts to pressure us." He said that "it's time to work closely with the Central Asians" and "persuade them to use our route." Azerbaijan has proven to be a "good experiment" for the region: "we built a pipeline and we're still here." New gas export routes are in the interests of Central Asian states, Aliyev said, as they will "earn more money, build direct links to Europe and gain more importance for Europe's energy security."

#### A GRAND BARGAIN?

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¶17. (C) Noting that this is a key moment in regional developments, Senator Brownback urged Aliyev to think about a "grand bargain" for Azerbaijan. If Azerbaijan could offer further assistance to the U.S. on regional issues, particularly Iran, the Middle East and Central Asia, the U.S. may be willing to consider further assistance on issues of concern to Azerbaijan such as resolution of the Nagorno Karabakh conflict or a permanent lifting of Section 907 sanctions. Brownback urged Aliyev to also consider further measures to include Azerbaijan's business environment, such as the Presidential Business Council initiative proposed by the American Chamber of Commerce.

¶18. (C) Aliyev responded that Azerbaijan has "big expectations" for its relationship with the United States and would very much welcome a greater U.S. role in resolving the Nagorno Karabakh conflict. Aliyev argued that the overall regional balance has changed significantly since the late 1990s, when it appeared that Azerbaijan and Armenia were equally dedicated to Euro-Atlantic integration. "Today, the situation is different and it is clear which country is where," Aliyev said. "Armenia has a common defense treaty with Russia and is a strategic ally of Iran." Azerbaijan, he continued, "sees its future in Euro-Atlantic integration and has peacekeepers in Kosovo, Iraq and Afghanistan. We work seriously to minimize risks for our partners, particularly in counterterrorism and security cooperation. We are working on our shared energy interests." Aliyev noted that there are factions in Azerbaijan who seek to disrupt these policies, "serving the interests of our neighbors." The GOAJ had recently arrested separate groups of Iranian spies and a network of Russian security services operatives, Aliyev said. In spite of these pressures Azerbaijan would continue to work with the United States. "It is time for Washington to make amendments to its policy of parity due to the changing

contribution of each country," Aliyev said. On the Nagorno Karabakh conflict, Aliyev added that Azerbaijan needs "more support and a more clear position other than 'both sides have to agree.' If we could agree, we would have agreed long ago."

¶9. (C) Senator Brownback suggested that Aliyev build on his personal relationship with Jordan's King Abdullah to encourage a greater understanding in the U.S. of Azerbaijan's strategic importance. Jordan had worked hard and successfully to build relationships in Washington and could help Azerbaijan in this regard. Brownback encouraged Aliyev to consider a joint trip to Washington with King Abdullah. Aliyev responded that this was a good idea but "not everything depends on us." He added that he speaks regularly to King Abdullah, who had told him of his plans to raise Azerbaijan in his March trip to Washington.

¶10. (C) Aliyev mused that he needs to think of "new forms for delivering our message." Kazakhstan and Turkmenistan, for example, say that they want closer relations with the U.S. but caved to Russian pressure to establish a new northern export route on the eastern shore of the Caspian, on the same day that they had been invited to attend the Krakow energy summit where Azerbaijan pushed for East-West routes. Turkmenistan, Kazakhstan and Uzbekistan "conduct their policy always looking at what their former Big Brother wants" but "we do what serves our interests," Aliyev said. Russia wants to control all transit routes and is buying up energy companies in Europe. Yet "small Azerbaijan with the wounded hand of Nagorno Karabakh has a small pipeline that is bringing gas to Europe," Aliyev said. "If it wasn't for us, they'd forget about Central Asia." Aliyev said that, for now, he is able to manage possible energy-related tensions with Russia thanks to his good, personal relationship with Putin, but who knows what could happen in the next year or two? Aliyev concluded that if the full extent of Azerbaijan's cooperation with the United States were known, "the situation in Nagorno Karabakh could be different." Events in Kosovo, he continued, showed that there can be unilateral events. "The U.S. is the only superpower and can impose its views on the settlement of a conflict."

¶11. (C) Turning again to the question of U.S. policy on NK, Aliyev said that it is "not a big deal for the President to cancel, not just waive, 907 sanctions." Brownback clarified that the U.S. President cannot unilaterally repeal or annul Section 907 of the Freedom Support Act; only the U.S. Congress has that authority. Aliyev seemed genuinely surprised by this information, saying "I was told the President can cancel this on his own authority." Adding that "no matter how hard we try, the Armenian lobby prevails," Aliyev thanked Brownback for his courage and conviction in pushing for the annual waiver of Section 907 sanctions.

#### RADICAL ISLAM

¶12. (C) Aliyev said he is very concerned by the possibility of radical Islam taking root in Azerbaijan. While Azerbaijan has the situation under control and has been successful in rolling up extremist groups, Aliyev believes that if "we don't tackle the issues today, tomorrow it will be too late."

Aliyev worries about outside influences - particularly Iran and Dagestan - and said that Turkey's increasingly religious nature is of particular concern. He explained that in the early days of independence, most Azerbaijanis considered Turkey's secularism as a model to be replicated; if Turkey is increasingly Islamic, he continued, that will influence the situation in Azerbaijan. Aliyev said that Iranian influence is of less concern because Azerbaijan historically has had "difficult" relations with Persia. Aliyev believes that "modernization," including closer integration with Europe and Azerbaijan's continued economic development are essential to counter Islamic influences. He said the GOAJ is directing increased investment to Azerbaijan's northern border regions, in an effort to show the predominantly Sunni population in those areas that life is better in secular Azerbaijan than in neighboring Dagestan. Aliyev also noted that educational reform is key to combating extremism and expressed strong

support for further educational exchange programs with the U.S., including the Fullbright program, as he recently discussed with ECA DAS Tom Farrell.

#### BUSINESS ENVIRONMENT

¶13. (C) Turning to Azerbaijan's business environment, Senator Brownback raised a long-standing commercial case on behalf of one of his constituents, urging the GOAJ to reach a settlement for half the value of the outstanding privatization vouchers. Aliyev said that he had recently extended the validity of Azerbaijan's vouchers because of this case, and had instructed the head of Azerbaijan's Privatization Committee to resolve the case. Aliyev noted that this privatization case was somewhat different, as the vouchers had been bought from other investors, but said he understood the Privatization Committee had provided a list of properties to be offered in exchange for the vouchers and that the parties were now making amendments to the offer. "If they can agree on an amount, the case be solved in one year," Aliyev said. Senator Brownback noted that his constituent had reached a written agreement with the GOAJ to settle the case for USD 150 million, and said he hoped the President could instruct his staff to resolve the case. Aliyev responded that he would instruct his staff to do so but said that the GOAJ would first need to sell some state property, possibly using some of the vouchers held by this individual, in order to raise the cash for the settlement. Aliyev asked specifically whether the GOAJ and the individual had agreed on the amount and Brownback affirmed that they had. Aliyev pledged again that he would instruct his staff to resolve this issue, adding that he wants to "make sure everyone who bought vouchers has the right to purchase property."

#### COMMENT

¶14. (C) Aliyev's calls for recognition of the changing relative roles of Armenia and Azerbaijan to broader USG regional interests, and stronger USG support in "imposing" a solution on NK are increasingly explicit and direct in meetings with USG visitors. Given the importance that the GOAJ and President Aliyev personally attaches to the possible permanent repeal of Section 907 sanctions, it was surprising to see how little insight he has into the U.S. political process. As Senator Brownback suggested, Jordan could play a helpful role in educating Azerbaijan in the finer points of international diplomacy and helping to move Azerbaijan more firmly from the post-Soviet sphere into a group of moderate, reform-minded Muslim states.

¶15. (U) Senator Brownback cleared this message.  
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